

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2003



**Coconino
Community
College**

Prepared by

District Business and Administrative Services Office

Flagstaff, Arizona

Coconino County Community College District

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Introductory Section



**Coconino
Community
College**



LONE TREE CAMPUS 2800 S LONE TREE RD FLAGSTAFF AZ 86001-2701

October 7, 2003

To the Citizens of Coconino County Community College District:

We are pleased to provide to you the Comprehensive Annual Financial Report (CAFR) of the Coconino County Community College District (the District), Flagstaff, Arizona for the fiscal year ended June 30, 2003.

Responsibility for both the accuracy and completeness of the data, as well as the fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Annual Budgeted Expenditure Limitation Report (ABELR). The introductory section includes this transmittal letter, a list of principal officers, and the District's organizational chart. The financial section includes Management's Discussion and Analysis (MD&A), the independent auditor's report, and the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis. The ABELR section includes the required schedules and the independent auditor's report.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996; the U.S. Office of Management and Budget Circular A-133; and Government Auditing Standards issued by the Comptroller General of the United States. Information related to this single audit, including the Schedule of Expenditures of Federal Awards and auditors' reports on internal controls and compliance with applicable laws and regulations, will be available by contacting the Vice President for Business and Administrative Services.

Coconino County Community College District is committed to offering quality educational programs and services at a reasonable cost for the citizens of Coconino County. The District provides a wide range of programs, including general academic, technical-vocational, student development services, continuing education, and community service.

TEL 928.527.1222 FAX 928.226.4105 HR FAX 928.226.4114

Organization and Administration

The District is operated as a comprehensive community college under the laws of the State of Arizona. The College is governed by a five-member District Governing Board (the Board). Each Board member is elected from one of the five precincts in Coconino County on a six-year staggered basis. The Board has oversight responsibility and control over all District activities. The administrative staff is responsible for the daily operation of the District.

Entity

The District is an independent reporting entity within the criteria established by generally accepted accounting principles and the Governmental Accounting Standards Board. The Board has governance responsibilities over all activities related to public community college education within the jurisdiction of the District. These responsibilities include the receipt of monies from local, state, and federal government sources and compliance with accompanying requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public, have decision-making authority with the power to designate management, maintain the responsibility to significantly influence operations, and possess primary accountability for fiscal matters. All funds of the District are included in this report.

History

The citizens of Coconino County in November of 1990 established the District under the provisions of legislation enacted by the Arizona State Legislature in 1971. In May 1991, the District's funding was approved through special election, and operations began on July 1, 1991. The District boundaries are conterminous with the boundaries of Coconino County.

Economic Condition and Outlook

Coconino County is located in the northern portion of the State and encompasses an area of approximately 12 million acres or over 18,000 square miles. Its boundaries include the cities of Page, Fredonia, Tuba City, Grand Canyon, Williams, Sedona, and Flagstaff, as well as other smaller cities and towns, and all the unincorporated areas of the County. The County's 2002 population has been estimated at 125,420 by the U.S. Census Bureau. The Arizona Department of Economic Security projects the County population to reach 154,000 within the next ten years.

The share of the County's labor force is heavily weighted towards government, trade, and service employment. These sectors employ over 85% of the entire county's nonagricultural work force. Relative to the rest of the state, the work force employed by government is high. Part of the reason for the large number of government workers in the county is the presence of several major national parks, the large portion of the county covered by Indian reservations and the high percentage of the total area in county public lands; (94% of the county is public land; including Indian reservations which cover 45% of the county).

The State and National economy have declined somewhat this past year, however, property values in Coconino County have continued to grow. County unemployment rates have remained higher than both state and national levels, and the District must contend with the continued limited funding from the State. The District is committed to improving and offering additional services to meet the county needs. These efforts are achieved through careful monitoring of costs, innovative partnerships, continual searching for cost saving opportunities and seeking new revenue sources.

Growth of Student Population

The District began in 1991, initially expecting to serve 600 students. Nearly 1,000 students registered the first semester. Since then, enrollment has increased dramatically. Today the College enrolls over 9,000 students annually (duplicated headcount).

Major Initiatives/Impacts

Over the course of the last fiscal year, various federal, state and local conditions have resulted in reduced revenues for the District. These forces combined with the increasing operational expense for the District's new facilities have resulted in the District performing a comprehensive review of all budgets. Management will continually monitor these conditions as well as legislative initiatives to further understand the upcoming impact to the District and its community.

Personnel – Salaries and Benefits

Due to declining investments over the past two years, the Arizona State Retirement System is increasing both the employer and employee contribution rate effective July 1, 2003. The combined retirement and long-term disability rate is increasing from 2.49% to 5.70%, this increase amounts to an approximate impact of \$175,000 for the District's portion. Additionally, the District realized how employees will be impacted and therefore has looked for innovative ways to assure that personnel will receive a salary increase to compensate for most, if not all, of the retirement increase. Specifically, the District has reviewed all benefits and salaries and conducted a market analysis with the intent of moving towards being more in line with market. The result is some changes in personnel benefits in favor of higher wage increases. The District has performed a classification review of all personnel to ensure that as positions evolve with growth of the District, the District remains

competitive and fair with regard to its human resources. Additionally, the system has been reviewed and salary schedules have been adjusted along with the rise in cost of living. Generally, all classified personnel will be receiving a 5.0% salary increase with administrative/professional and faculty personnel receiving 3.0%. The District is budgeting for a 9.0% increase in medical insurance of which the increase in family coverage will be passed on to the employee. Dental premium increases are budgeted at a 2.0% increase and the District has eliminated its contribution to family dental coverage. The District provides life insurance for its employees at 2 times the annually salary up to \$75,000 (a reduction from \$100,000). The net General Fund impact of new personnel, wage and benefit changes amounts to an increase of approximately \$500,000 or 6% over the fiscal year 2003 budget.

The District is also working on continual development of personnel by providing customer service and professional development workshops, tuition waivers and tuition reimbursements, a wellness program, development of a supervisory handbook, and refining personnel procedures.

Workforce Development

The District has initiated a concentrated effort over the past three fiscal years to provide communities with more occupational and technical training. The voters of Arizona recently passed proposition 301, which provides a 0.6% sales tax to assist in this effort. The District anticipates receiving approximately \$330,000 in fiscal year 2004 from this sales tax, which the District is restricting to fund workforce development activities. Specifically, these funds will be used to pay for the salaries and benefits of various coordinator positions with the programs' operational expenses being funded from the General Fund. Workforce development programs include Nursing, Construction Technology, and CISCO.

Efficiency Review

Due to continual budget cuts in state appropriations, the District has been forced to reduce expenses and seek out efficiencies. As our student population and required services continue to increase amidst declining state revenues, it is paramount that we maximize our efficiency. The District continually reviews its utilization of facilities and through the use of energy saving technology was able to reduce its budget by nearly \$100,000 for fiscal year 2004. Improvements in scheduling of classes and average class size are two more aspects where the District is maximizing its facility utilization. Within facilities operations another cost benefit analysis concerning snow removal and outsourced maintenance resulted in an annual savings of about \$65,000 by bringing these duties in-house. This initiative will require some initial capital outlay for equipment, but is projected to have a payback period of less than three years.

Part of the District's efficiency review includes hiring an outside consultant to perform an institution wide review. The budget committee realizes that management is limited as to creating new ways of doing business and therefore, began searching for a fresh-outside look at how the District operates by hiring a consultant to perform an independent review.

Growth

Throughout its history, the District's full-time student equivalency (FTSE) has grown an average of 11.9% per year from 491 in fiscal year 1992 to a budgeted of 1,900 for fiscal year 2004. This growth has corresponded to many changes over the years including increases in personnel as well as facilities. The District now conducts operations throughout the largest county in Arizona including two campuses in Flagstaff, a campus in Page, classrooms in Williams, and distance learning facilities in Grand Canyon. The addition of distance learning facilities in Tuba City is planned for fiscal year 2004.

The growth the District has experienced has led to the need for enrollment management – the District needs to grow efficiently. Through the District's retention and recruitment efforts, continued growth is possible and manageable.

New Faculty and Programs

Part of the District's strategic plan includes increasing its full-time to part-time faculty ratio. To that end, one new full-time faculty position for the nursing program is included in the fiscal year 2004 budget. Throughout fiscal year 2003, the District, in collaboration with the Flagstaff Medical Center, developed a nursing program which included obtaining approval on the facilities, curriculum, equipment, and necessary accreditation plans. In an effort to increase General Fund revenues, the District is also planning on adding more class sections in other programs while simultaneously increasing the average class size throughout the District. Additionally, the District has become an actively engaged partner improving Adult Basic Education (ABE) and has initiated plans to offer GED testing during fiscal year 2004.

Title III Grant for Distance Learning

In fiscal year 2000, the District was awarded the Title III Grant for Distance Learning. This grant, along with District operating funds and bond proceeds, has offered the funding needed to start up several distance learning initiatives in an effort to provide widespread educational opportunities. Part of the Title III grant obligates the District to gradually fund ongoing expenses with the General Fund. The Title III grant is scheduled to continue funding these initiatives until October 2004 at which time the District will fully fund the initiatives with the General Fund. For fiscal year 2004, the District's General Fund will pay for T1 data line operations as well as a significant portion of personnel expenses previously funded by the Title III grant. The total transfer of these ongoing expenses amounts to approximately \$130,000.

Fiscal Year 2003 Accomplishments

Significant accomplishments for fiscal year 2003 include:

- The North Central Association of Colleges and Secondary Schools (NCA) awarded the District ten-year accreditation on November 18, 2002 after unanimous recommendation from the accreditation review team.
- Managed an approximate 9.0% increase in full time enrollment.
- Implemented Governmental Accounting Standards Board (GASB) Statement 34/35 for the financial report ending June 30, 2002.
- Improved community participation and resource base by increased partnerships and collaboration with other entities (e.g. Nursing and CISCO instructional programs, Flagstaff library).
- Updated and renewed several policies and procedures for the overall improvement to the institution's effectiveness.
- Created a grant application process in an effort to seek additional external resources.
- Continued to review and improve the salary and benefits plan for all District personnel to assist with the retention and turnover rates of our most valuable resource.
- Completed construction of an addition to the Page Campus.
- Completed phase I and began phase II of the Fourth Street Campus remodel scheduled for completion prior to Fall semester, 2003.
- Overcame a budget deficit of several hundred thousand dollars through college-wide efficiency efforts and conservation of resources. Travel restrictions were imposed, purchasing of supplies deferred, and some small classes were canceled. No personnel were terminated; only vacancies were put on hold.
- Selected third-party providers for food service and daycare.
- Major developments in instituting a Nursing Program including funding, approval of facilities and curriculum.
- Increased ITV/Web courses by 71%.
- Upgraded all District computer labs including fully equipping two new labs.

Financial Information

The District's responsibilities for stewardship, safeguarding of assets, and accountability to resource providers are fulfilled by effective management of these funds through internal control, budgetary controls, cash management, and financial reporting.

Internal Control

The District's administration is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The District's annual audit was conducted by the Certified Public Accounting firm of Heinfeld, Meech & Co., P.C. The auditors consider the adequacy of internal controls and test the District's compliance with applicable laws and regulations. The results of their audit procedures will be described in the auditors' report on compliance and on internal control over financial reporting to be issued later.

Single Audit

As a recipient of federal, state, and local assistance, the District also is responsible for providing adequate internal controls to ensure compliance with applicable laws and regulations related to those programs. This internal control system is subject to periodic evaluation by management and the independent auditors of the District.

As part of the District's single audit, the auditors have tested the District's compliance with requirements applicable to its major federal program and considered its internal control over compliance with requirements that could have a direct and material effect on a major federal program. The results of their audit procedures will be described in the auditors' report on compliance with requirements applicable to each major program and internal control over compliance to be issued later. Copies of the single audit reports will be available in the Office of the Vice President for Business and Administrative Services.

Budgetary Controls

The District maintains budgetary controls by line-item of the approved budget. Budget transfers are restricted by function and object. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the District's Governing Board. The legal level of budgetary control is by summary line item of the current and plant funds.

Budgetary compliance is also demonstrated with the issuance of an annual budgeted expenditure limitation report, which is also audited. The purpose of the expenditure limitation is to control expenditures and limit future increases in spending to adjustments for inflation; deflation; population growth of counties, cities, and towns; and student population growth of community college districts.

An encumbrance accounting system is maintained by the District as one technique of accomplishing budgetary control. Open encumbrances are not reported as reservations of fund balance at year end, but are liquidated (lapse at year end). Encumbrances are re-established at the beginning of the next fiscal year as an obligation against the current year's adopted budget.

District Functions

The District exercises primary property tax levy authority for generation of funds for operating purposes. State appropriations are also received based on Full Time Student Equivalent (FTSE) enrollment and formula funding. One FTSE equals 15 credit hours per semester.

Cash Management

The District is governed by the Arizona Revised Statutes relating to the overall investment of idle public funds. The fiduciary responsibility of such investments is entrusted to the District Governing Board and facilitated through the Vice President for Business and Administrative Services.

Idle funds are invested by the District in a prudent, conservative, and secure manner for the highest yield as prescribed by Arizona Revised Statutes. Monies are on deposit with the State and County Treasurers. Amounts which are idle during the year are invested by the Treasurers on a pooled basis with the interest prorated back to the District.

During the year, idle funds were invested in demand deposits, notes, commercial paper, and certificates of deposit through the State of Arizona Local Government Investment Pool. The average yield on investments was 1.87 percent. The District's cash management objective is to equal or exceed the average returns on the thirteen week U.S. Treasury Bill rates. The average yield for 90-day U.S. Treasury Bills issued during the year was 1.61 percent.

Financial Reporting

The Comprehensive Annual Financial Report (CAFR) for the District was formulated with data from several sources including: District records, Coconino County Department of Finance reports, and Northern Arizona University College of Business economic outlook report. These statements present information on the financial condition of the District and whether resources were adequate to cover the costs of providing services during the reporting period. The District's CAFR is distributed to the District Governing Board and executive management, the State

legislature, Federal and State agencies, and financial institutions as well as others throughout the general public. Internal management reports are customized and provided to meet the information and decision-making needs at all levels of the organization to aid management in the allocation of resources.

Debt Administration

The District sold \$25 million in general obligation bonds in January 1999. The voters of Coconino County have approved a secondary tax to retire this debt. These bonds are tax exempt and therefore subject to federal arbitrage requirements. The District has contracted with Gust-Rosenfeld for bond counsel and RBC Dain-Rauscher for financial advisement in the administration of this debt to ensure compliance with all state and federal regulations.

Risk Management

A full complement of insurance coverage is maintained for the District in accordance with Arizona Revised Statutes. Liability coverage is broad in form, including errors and omissions and "wrongful acts" coverage, and is maintained with policy limits totaling \$20,000,000. Casualty coverages are maintained on a replacement value basis with a schedule of values agreed upon between the carrier and the District. Miscellaneous coverages include crime and fidelity coverages. Workers' Compensation coverage is maintained through the State Fund.

Independent Audit

The District utilized the audit services of the Certified Public Accounting firm of Heinfeld, Meech & Co., P.C. to comply with Arizona Revised Statutes, which require an annual audit of the District's financial statements. This requirement has been complied with and the Independent Auditors' Report is included in this document. The auditors' expressed an unqualified opinion.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coconino Community College for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the eighth consecutive year that Coconino Community College District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement

We thank the members of the District Governing Board for their interest and support in planning and conducting the financial operations of the District in a highly responsible and progressive manner. The preparation of this report could not have been accomplished without the hard work and dedicated services of the Business and Administrative Services staff. Appreciation is also expressed to Heinfeld, Meech, & Co., P.C. for timely completion of the audit.

Respectfully submitted,

Thomas S. Jordan
President

Jami V. Bradley, Vice President
Business and Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coconino Community
College, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Coconino County Community College District

Principal Officers

District Governing Board

Nat White, Member, District 1

Carole Mandino, Secretary, District 2

Daniel W. Baertlein, Member, District 3

Patrick Hurley, Member, District 4

Val Gleave, Chair, District 5

Administration

Thomas S. Jordan, President

Jami V. Bradley, Vice President for Business and Administrative Services

Kathleen Corak, Vice President for Academic Affairs

Patricia A. Sprengeler, Acting Vice President for Student Services

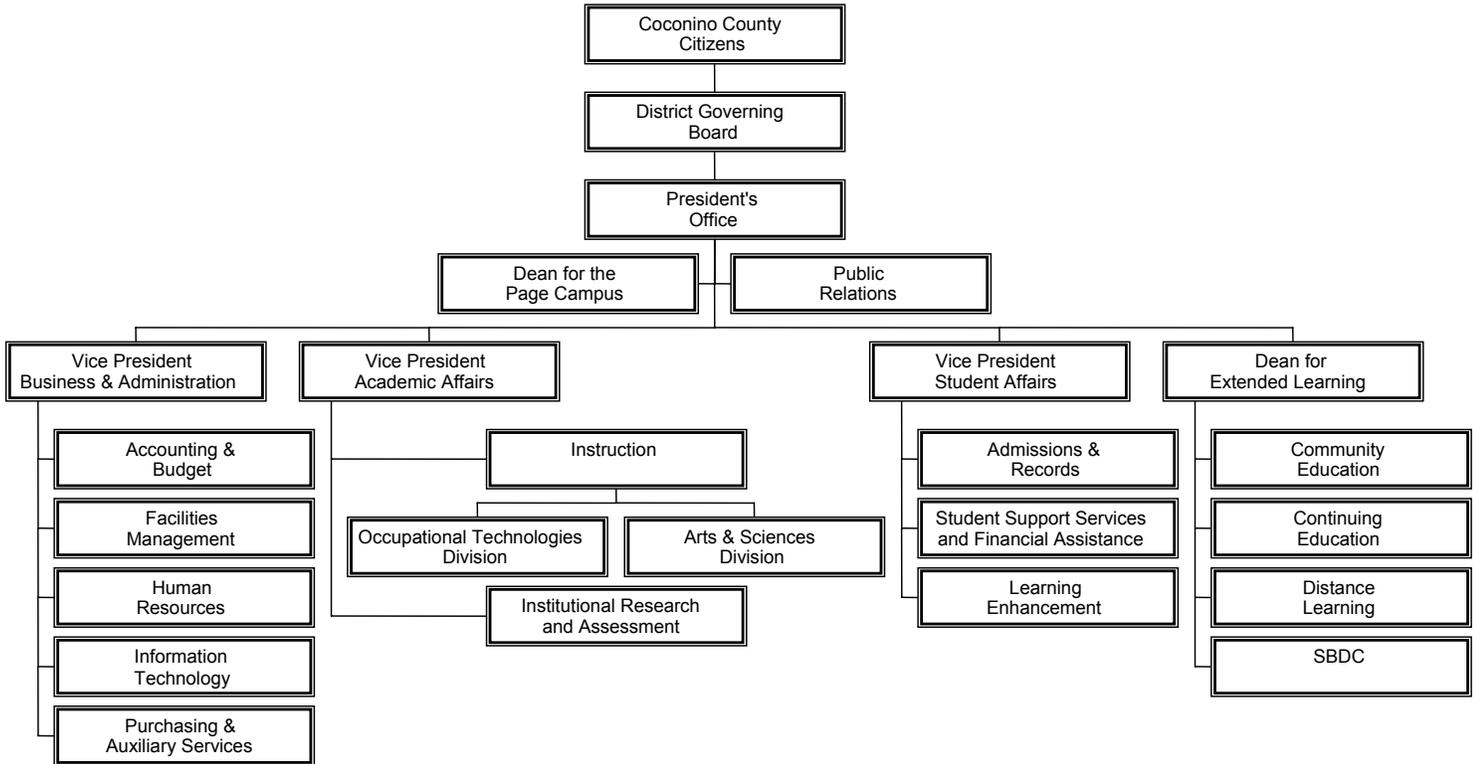
Steve Miller, Acting Vice President for Student Services

Shawn Nittmann, Acting Vice President for Student Services

Lloyd Hammonds, Dean for Page Campus

Michael Lainoff, Dean for Extended Learning

Organizational Chart





Coconino Community College

Vision, Mission & Values

Vision

Coconino Community College is northern Arizona's premier learner-centered community for pursuing your dreams of success.

Mission

Coconino Community College provides personalized and accessible opportunities in higher education by offering transfer, career and technical programs, and community interest courses.

Values

Coconino Community College commits its human, physical, and financial resources to accomplishing its mission and purposes by promoting teaching and learning excellence in all its endeavors. Toward this end the College does the following:

- Places the learner first;
- Emphasizes life-long learning;
- Offers a variety of educational delivery modes;
- Responds to the needs of the communities it serves;
- Engages in partnerships and collaborations within a multicultural world to provide innovative educational opportunities for its students;
- Promotes the principles of quality improvement and assessment of student learning;
- Supports an environment in which employees experience high levels of job satisfaction;
- Conducts all its activities in an open, ethical, and responsible manner.

ADOPTED JANUARY 2001, BY THE COCONINO COMMUNITY COLLEGE DISTRICT GOVERNING BOARD

Financial Section



**Coconino
Community
College**



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Gary Heinfeld, CPA, CGFM
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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Governing Board of Coconino County Community College District

We have audited the accompanying basic financial statements of Coconino County Community College District as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Coconino County Community College District as of June 30, 2003, and the changes in financial position and cash flows of the District for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 17 through 26 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 7, 2003

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2003. Please read it in conjunction with the transmittal letter, which immediately precedes this section, and the District's basic financial statements, which immediately follows.

Coconino County Community College District in 2003

Overview of the Financial Statements and Financial Analysis

The Coconino County Community College District (the District) is proud to present its financial statements for fiscal year 2003, with fiscal year 2002 prior year data presented for comparative purposes. The emphasis of discussions will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This discussion and analysis of the District's financial statements provides an overview of its financial activities for the year.

Statement of Net Assets

The Statement of Net Assets reflects the financial position of the District at June 30, 2003. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents the institutional equity or ownership in the total assets of the District.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue operations of the District. They are also able to determine how much the District owes vendors and investors. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the District's equity in property, plant and equipment owned by the District. The next category is restricted net assets, which are expendable. Expendable restricted net assets are available for expenditure by the District but must be spent solely for the purpose of their restriction. The final category is unrestricted net assets, which are available to the District for any lawful purpose of the District.

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

Statement of Net Assets

	June 30,	
	2003	2002
Current assets	\$ 8,028,716	\$ 9,839,380
Capital assets, net	31,741,493	30,883,087
Total assets	39,770,209	40,722,467
Current liabilities	2,007,287	1,861,097
Noncurrent liabilities	23,370,092	24,060,901
Total liabilities	25,377,379	25,921,998
Invested in capital assets, net of related debt	8,626,492	7,048,087
Restricted net assets	2,292,432	4,117,167
Unrestricted net assets	3,473,906	3,635,215
Total net assets	\$ 14,392,830	\$ 14,800,469

The total assets of the District decreased by \$952,258, or 2.3%. During fiscal year 2003, the District completed several construction projects, including the new campus facility in Flagstaff, the Page campus expansion, the Williams campus, and the Fourth Street Phase I renovation project.

The total liabilities of the District decreased by \$544,619, or 2.1%. In fiscal year 2003, the principal paid on capital debt was \$720,000.

The combination of the decrease in total assets of \$952,258 and the decrease in total liabilities of \$544,619 nets to a decrease in total net assets of \$407,639, or 2.7%.

Invested in capital assets, net of related debt, restricted for capital projects, restricted for debt service, and unrestricted net assets represent 59.9%, 15.4%, 0.6%, and 24.1% of total net assets, respectively; as compared to 47.6%, 27.1%, 0.7%, and 24.6% of total net assets, respectively, at June 30, 2002.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2003. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net assets amount to the ending net assets amount – which is shown on the *Statement of Net Assets* described above.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the District. Nonoperating revenues are revenues received for which goods and services are not provided. For example, State Appropriations are nonoperating because they are provided by the Legislature to the

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

District without the District directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30,	
	2003	2002
Operating revenues:		
Tuition and fees (net of scholarship allowances)	\$ 2,215,238	\$ 1,864,336
Grants and contracts	2,409,563	2,154,347
Other operating revenue	95,549	53,411
Total operating revenue	4,720,350	4,072,094
Operating expenses:		
Educational and general	12,568,079	12,733,934
Auxiliary enterprises	27,433	16,375
Depreciation	1,095,697	628,274
Total operating expenses	13,691,209	13,378,583
Net operating loss	(8,970,859)	(9,306,489)
Nonoperating revenues	9,425,611	9,869,752
Nonoperating expenses	1,181,691	1,376,452
Capital appropriations	319,300	314,400
Decrease in net assets	(407,639)	(498,789)
Net assets, beginning of year	14,800,469	15,299,258
Net assets, end of year	\$ 14,392,830	\$ 14,800,469

The following schedule presents a summary of revenues for the fiscal year ended June 30, 2003, with comparative totals for June 30, 2002.

	2003		2002	
		% of Total		% of Total
<u>Operating revenues</u>				
Tuition and fees (net of scholarship allowances)	\$ 2,215,238	15.3 %	\$ 1,864,336	13.1 %
Grants and contracts	2,409,563	16.6	2,154,347	15.1
Bookstore income	36,524	0.3		0.0
Auxiliary enterprises	33,175	0.2	42,758	0.3
Other operating revenues	25,850	0.2	10,653	0.1
Total operating revenues	4,720,350	32.6	4,072,094	28.6
<u>Nonoperating revenues</u>				
Property taxes	6,200,587	42.9	6,066,249	42.5
State appropriations	2,905,500	20.1	3,104,700	21.8
State shared sales tax	329,552	2.3	317,979	2.2
Investment income (loss)	(72,174)	-0.5	328,524	2.3
Other nonoperating revenues	62,146	0.4	52,300	0.4
Total nonoperating revenues	9,425,611	65.2	9,869,752	69.2
Capital appropriations	319,300	2.2	314,400	2.2
Total revenues	\$ 14,465,261	100.0 %	\$ 14,256,246	100.0 %

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

The following schedule presents a summary of expenses for the fiscal year ended June 30, 2003, with comparative totals for June 30, 2002.

	2003		2002	
		% of Total		% of Total
<u>Operating expenses</u>				
Education and general:				
Instruction	\$ 4,539,334	30.5 %	\$ 3,700,462	25.1 %
Public service	149,877	1.0	142,160	1.0
Academic support	1,634,056	11.0	1,590,572	10.8
Student services	1,329,354	8.9	1,351,457	9.2
Institutional support	2,785,293	18.7	3,924,224	26.5
Operation and maintenance of plant	1,035,311	7.0	972,581	6.6
Scholarships	1,094,854	7.4	1,052,478	7.1
Auxiliary enterprises	27,433	0.2	16,375	0.1
Depreciation	1,095,697	7.4	628,274	4.3
Total operating expenses	13,691,209	92.1	13,378,583	90.7
<u>Nonoperating expenses</u>				
Interest expense on debt	1,181,691	7.9	1,188,343	8.1
Loss on disposal of capital assets	-	0.0	188,109	1.2
Total nonoperating expenses	1,181,691	7.9	1,376,452	9.3
Total expenses	\$ 14,872,900	100.0 %	\$ 14,755,035	100.0 %

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a decrease in the net assets at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Tuition and fees (net of scholarship allowances) increased \$350,902, or 18.8%, primarily due to a combination of an increase in tuition of \$3 per credit hour and an increase in Full Time Student Equivalent (FTSE) of 129.4.
- Nongovernmental grants and contracts revenue increased by \$138,236, or 142.8%. This is primarily the result of new grants received from the Coconino Community College Foundation for:

Flagstaff Medical Center Foundation/Nursing Program,
SRP/Navajo Generating Station/Page Campus,
Information Resources, and
Students on Course.
- The District contracts with Northern Arizona University to operate a bookstore on campus. Income is based on a percentage of the bookstore's net sales, and totaled \$36,524. In prior years, bookstore revenue was not itemized on the Statement of Revenues, Expenses, and Changes in Net Assets, but was lumped in Auxiliary enterprises.
- Auxiliary enterprises revenue decreased \$9,583, or 22.4%. The net decrease was a result of (1) listing bookstore income separately on the Statement of Revenues, Expenses, and Changes in Net Assets, and (2) an

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

increase in District facilities resulted in additional vending machines throughout the District, which resulted in an approximate increase of \$12,152 in vending revenue.

- Other operating revenues increased \$15,197, or 142.6%. This is specifically attributable to an increase in parking ticket revenue.
- Investment income decreased \$400,698, or 122.0%, and resulted in an investment loss. Part of the decrease is attributable to a loss in the Local Government Investment Pool (LGIP).

A.R.S. §35-326, authorizes the Arizona State Treasurer ("Treasurer") to administer the LGIP. The LGIP permits over 200 different entities, including cities, counties, public entities, water districts, Native American Tribes, etc. ("Investors") to pool public funds into one investment vehicle ("Investment Pool"). Thereafter, the Treasurer invests the Investment Pool. The LGIP has assets valued at between \$3.8 and \$4.0 billion. The Treasurer has two (2) investment options. The first is LGIP-GOV, which invests only in securities backed by the full faith and credit of the Federal Government. The second is LGIP-5, which may invest in other securities. The Treasurer has a published Investment Policy, which is provided to all Investors.

The Investment Policy states that authority to manage the LGIP program is delegated solely to the Treasurer. The Treasurer always acts to afford the utmost safety of the investment, while trying to maximize the return thereon. It also states that the securities purchased by the LGIP shall be held by the Treasurer. Thus, the Treasurer and not the Investors have legal title to the securities. The Investors, however, own shares in the Investment Pool.

Approximately \$131 million of the LGIP-5, was invested in asset-backed securities of NPF XII, a subsidiary of National Century Financial Enterprises ("NCFE"). NCFE's primary business was focused on the discounted purchase of accounts receivable of health care providers. NCFE advanced immediate cash payments to providers and then collected the receivables from Medicare and insurance companies. The NPF XII securities were rated "AAA" because they were collateralized by the receivables and a reserve was set up by the Indenture Trustee, Bank One, to protect the monthly interest payments to the bondholders. At the time of their purchase, the securities met all statutory requirements.

Amid allegations of fraud and criminal conduct by the principals of NCFE, the reserve disappeared, the securities were downgraded from one of the safest at "AAA" to junk bond status, and NCFE and affiliates filed Chapter 11 bankruptcy petitions in Ohio on November 18, 2002. The NCFE investment was segregated by the State Treasurer on November 21, 2002 from the LGIP into its own mini-LGIP to insure that there was no confusion

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

between this investment of the LGIP and others. The District's share was \$254,551. Recovery of these funds is unknown at this time.

Two other factors contributed to the decline in investment income. Funds for construction projects are maintained in the LGIP. As projects are progressing and eventually completed, the funds for construction projects in the LGIP are used to pay construction costs, resulting in less interest income. In addition, the year to date yield on LGIP investments has decreased from 2.8021 at fiscal year end 2002 to 1.8719 at fiscal year end 2003.

- Other nonoperating revenues increased \$9,846, or 18.8%. The increase is mainly attributable to increased facilities rental income.
- Total operating expenses increased by \$312,626, or 2.3%.

Functionally, most notable changes occurred in:

Instruction, increase of \$838,872, or 22.7%. Contributing to the increase is the development and implementation of the Nursing Program. In addition, Workforce Development funds were used exclusively for Instruction during fiscal Year 2004, where in fiscal year 2003 funds were split between Instruction, Academic Affairs, Student Services, and Operation and Maintenance of Plant. Employees received a 3% increase in salaries; and dental, medical, and life insurance expenses for Instruction increased \$48,207, or 31.0%.

Institutional support, decrease of \$1,138,931, or 29.0%. This is attributable to the significant decrease in non-capital equipment purchases due to the completion of the new campus facility.

Auxiliary enterprises, increase of \$11,058, or 67.5%. During fiscal year 2003, student club funds totally \$15,488 are accounted for in auxiliary enterprises. The funds were previously accounted for in the General Fund.

Depreciation, increase of \$467,423, or 74.4%. The new campus facility was substantially complete in fiscal year 2002 and therefore capitalized as a building and depreciated. During an assets first year, a half year convention is used to calculate depreciation expense. For fiscal year 2003, depreciation for the new campus facility is calculated for a full year.

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

The following schedule presents a summary of operating expenses by natural classification for the fiscal year ended June 30, 2003, with comparative totals for June 30, 2002.

	2003		2002	
	\$	% of Total	\$	% of Total
Compensation and benefits	8,726,822	63.7 %	7,772,362	58.1 %
Contract services	684,735	5.0	692,361	5.2
Supplies and other services	919,522	6.7	2,217,501	16.6
Annual fixed charges	407,233	3.0	339,061	2.5
Communications and utilities	494,461	3.6	402,867	3.0
Travel	169,112	1.2	200,266	1.5
Scholarships	1,121,521	8.2	1,052,478	7.9
Depreciation	1,095,697	8.1	628,274	4.7
Other	72,106	0.5	73,413	0.5
Total operating expenses	13,691,209	100.0 %	13,378,583	100.0 %

By natural classification, most notable changes occurred in:

Compensation and benefits, increase of \$954,460, or 12.3%. Employees received a 3% increase in salaries; dental, medical, and life insurance for the District increased \$110,129, or 21.2%. The District also added one full-time faculty position.

Supplies and other services, decrease of \$1,297,979, or 58.5%. This is attributable to the significant decrease in non-capital equipment purchases due to the completion of the new campus facility.

Annual fixed charges, increase of \$68,172, or 20.1%. This is attributable to the significant decrease in non-capital equipment purchases due to the completion of the new campus facility.

Communications and utilities, increase of \$91,594, or 22.7%. In January 2002, the District moved to the new campus facility located on Lone Tree Road. Utilities for fiscal year 2003 are reflective of an entire fiscal year for this facility.

Travel, decrease of \$31,154, or 15.6%. Due to budget constraints, travel was targeted as a cost saving area.

Depreciation, increase of \$467,423, or 74.4%. In fiscal year 2003, depreciation is calculated for a full year, while in fiscal year 2002, a half year convention was used.

- Nonoperating expenses decreased by \$194,761, or 14.1%. This is attributable to (1) a decrease in interest expense on debt, and (2) zero loss on disposal of capital assets, as compared to \$188,109 in fiscal year 2002.

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

The Statement of Cash Flows

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2003. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount – which is shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows used for operating activities to operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

Statement of Cash Flows

	Year ended June 30,	
	2003	2002
Cash provided (used) by:		
Operating activities	\$ (7,926,933)	\$ (8,403,572)
Noncapital financing activities	7,623,093	7,630,731
Capital and related financing activities	(1,675,251)	(7,388,925)
Investing activities	(59,249)	539,434
Net change in cash	(2,038,340)	(7,622,332)
Cash, beginning of year	9,306,384	16,928,716
Cash, end of year	\$ 7,268,044	\$ 9,306,384

Capital Asset and Debt Administration

Capital assets are defined as those items costing over \$5,000, which have a normal useful life of more than two years. The District has created renewal and replacement (R&R) schedules for all of its facilities, as well as technology. The schedules are updated annually and funds are invested and designated for this purpose. For the year ending June 30, 2003, these funds amounted to approximately \$750,000.

Below is a summary of the capital assets, net of depreciation, as of June 30, 2003:

Capital Assets

	June 30	
	2003	2002
Land	\$ 1,089,000	\$ 1,089,000
Buildings	29,238,863	27,629,955
Improvements other than buildings	201,747	98,144
Equipment	976,661	1,238,745
Vehicles	24,883	31,993
Construction in progress	210,339	795,250
Total capital assets	\$ 31,741,493	\$ 30,883,087

At June 30, 2003, the District's had one bond issue outstanding, consisting of a general

Coconino County Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2003

obligation bond issue for \$25,000,000. Total long-term debt at June 30, 2003, is \$23,115,000. No new debt was issued during the fiscal year. See Note 5 on pages 36-37 for further details.

Current Factors Having Probable Future Financial Significance

The economic downturn arising primarily from tourism declines resulted in the State cutting its appropriations for all state agencies. In light of the revenue shortage, budget cuts had to be made. Specific areas for cuts include travel, supplies, and holding open vacancies. The State promised appropriation cuts would continue to fiscal year 2004.

On April 8, 2003, the District Governing Board approved the District's tuition restructuring plan. The restructure consists of (1) \$7 per credit hour increase for residents, from \$37 to \$44; (2) four times the resident rate for non-residents, this changes the rate to \$176 per credit hour whereas the fiscal year 2003 rate was \$90 for six credits or less and \$190 for more than six credits (retroactive to the first credit). The District has installed a plateau from 12-18 credit hours; this plateau means that after a student (regardless of residency status) pays for 12 credit hours during a semester, the next six credit hours would be free; tuition for over 18 credit hours will be charged at the normal rate.

The enrollment for the District is computed based on Full Time Student Equivalent (FTSE), one full time student equals 15 credit hours per semester. For fiscal year 2004, FTSE is estimated at 1,900. This figure is projecting approximately 12% growth from fiscal year 2003 estimates. The growth is due to several factors including: (1) the new facilities, (2) new programs such as Nursing and CISCO, (3) environmental factors – specifically, Northern Arizona University's large tuition increase and population growth, and (4) the tuition restructure of installing a tuition cap or plateau from 12 – 18 credit hours, as explained above.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Coconino County Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this Comprehensive Annual Financial Report or requests for additional financial information should be addressed to the Office of the Controller, Coconino County Community College District, 2800 S. Lone Tree Road, Flagstaff, AZ 86001.

Coconino County Community College District
Statement of Net Assets
June 30, 2003

Assets

Current assets:	
Cash and cash equivalents	\$ 263,872
Cash and investments held by the County Treasurer	817,204
Investments	6,186,968
Receivables:	
Property taxes (net of allowances of \$54,968)	248,131
Government grants and contracts	99,435
Interest	23,605
Other (net of allowances of \$4,901)	228,176
Inventories	18,348
Prepaid items	142,977
Total current assets	<u>8,028,716</u>
Noncurrent assets:	
Capital assets:	
Land	1,089,000
Buildings, net of depreciation	29,238,863
Improvements other than buildings, net of depreciation	201,747
Equipment, net of depreciation	976,661
Vehicles, net of depreciation	24,883
Construction in progress (estimated cost to complete \$103,499)	210,339
Total noncurrent assets	<u>31,741,493</u>
Total Assets	<u>39,770,209</u>

Liabilities

Current liabilities:	
Accounts payable	332,174
Accrued payroll and employee benefits	384,808
Deferred revenues	361,715
Deposits held in custody for others	41,773
Current portion of compensated absences payable	66,817
Current portion of long-term debt	820,000
Total current liabilities	<u>2,007,287</u>
Noncurrent liabilities:	
Compensated absences payable	405,994
Arbitrage payable	669,098
Long-term debt	22,295,000
Total noncurrent liabilities	<u>23,370,092</u>
Total liabilities	<u>25,377,379</u>

Net Assets

Invested in capital assets, net of related debt	8,626,492
Restricted:	
Expendable:	
Capital projects	2,213,022
Debt service	79,410
Unrestricted	3,473,906
Total net assets	<u>\$ 14,392,830</u>

See accompanying notes to financial statements.

Coconino County Community College District
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2003

Operating revenues:	
Tuition & fees (net of scholarship allowances of \$255,038)	\$ 2,215,238
Government grants and contracts	2,174,539
Private grants, and contracts	235,024
Bookstore income	36,524
Auxiliary enterprises	33,175
Other	25,850
Total operating revenues	<u>4,720,350</u>
Operating expenses:	
Educational and general:	
Instruction	4,539,334
Public service	149,877
Academic support	1,634,056
Student services	1,329,354
Institutional support	2,785,293
Operation and maintenance of plant	1,035,311
Scholarships	1,094,854
Auxiliary enterprises	27,433
Depreciation	1,095,697
Total operating expenses	<u>13,691,209</u>
Operating loss	<u>(8,970,859)</u>
Nonoperating revenues (expenses):	
Property taxes	6,200,587
State appropriations	2,905,500
Share of state sales taxes	329,552
Investment loss	(72,174)
Interest expense on debt	(1,181,691)
Other	62,146
Total nonoperating revenues (expenses)	<u>8,243,920</u>
Loss before other revenues, expenses, gains, or losses	(726,939)
Capital appropriations	319,300
Decrease in net assets	<u>(407,639)</u>
Total net assets, July 1, 2002	<u>14,800,469</u>
Total net assets, June 30, 2003	<u>\$ 14,392,830</u>

See accompanying notes to financial statements.

**Coconino County Community College District
Statement of Cash Flows
Year Ended June 30, 2003**

Cash flows from operating activities:	
Tuition and fees	\$ 2,191,792
Grants and contracts	2,314,436
Commissions and rents	36,254
Bookstore receipts	34,584
Other receipts	25,850
Payments to employees for salaries and benefits	(8,642,496)
Payments to suppliers and providers of goods and services	(2,792,499)
Payments to students	(1,094,854)
Net cash used for operating activities	<u>\$ (7,926,933)</u>
Cash flows from noncapital financing activities:	
Property taxes - primary	\$ 4,329,299
State appropriations	2,905,500
Share of state sales taxes	329,552
Other non-operating receipts	62,146
Deposits held in custody for others received	359,881
Deposits held in custody for others disbursed	(363,285)
Net cash provided by noncapital financing activities	<u>\$ 7,623,093</u>
Cash flows from capital and related financing activities	
Property taxes - secondary	\$ 1,831,955
Capital appropriations	319,300
Purchases of capital assets	(1,954,101)
Principal paid on capital debt	(720,000)
Interest paid on capital debt	(1,152,405)
Net cash used for capital and related financing activities	<u>\$ (1,675,251)</u>
Cash flows from investing activities:	
Interest received on investments	\$ 195,302
Loss on investments	(254,551)
Net cash used by investing activities	<u>\$ (59,249)</u>
Net decrease in cash and cash equivalents	\$ (2,038,340)
Cash and cash equivalents, July 1, 2002	9,306,384
Cash and cash equivalents, June 30, 2003	<u>\$ 7,268,044</u>

See accompanying notes to financial statements.

(continued)

**Coconino County Community College District
Statement of Cash Flows (concluded)
Year Ended June 30, 2003**

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (8,970,859)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,095,697
Changes in assets and liabilities:	
Increase in:	
Other receivables	(123,439)
Supplies inventory	(9,743)
Prepaid items	(44,960)
Government grants receivable	(23,128)
Accounts payable	150,415
Accrued payroll and employee benefits	(132,507)
Compensated absences	100,358
Deferred revenue	31,233
Net cash used for operating activities	<u><u>\$ (7,926,933)</u></u>

Reconciliation of cash and cash equivalents to the Statement of Net Assets	
Cash and cash equivalents	\$ 263,872
Cash and investments held by the County Treasurer	817,204
Investments	6,186,968
Cash and cash equivalents	<u><u>\$ 7,268,044</u></u>

See accompanying notes to financial statements.

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Coconino County Community College District conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity.

The financial activities of Coconino Community College Foundation are not included in the District's financial statements. The Foundation is a nonprofit corporation controlled by a separate board of directors. The Foundation's goals are to promote educational programs and District objectives.

B. Basis of Presentation and Accounting

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets net of related debt represents the net value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the asset. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments.

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

Generally, revenues generated by the District for instruction and public service, such as tuition, fees, grants, and contracts that have characteristics of an exchange transaction, are considered to be operating revenues. Other revenues used for instruction and public service, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Internal activity is eliminated using a charge-back method, charging user departments and reducing expenses in the department providing the service.

The District follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and highly liquid investments. All investments are stated at fair value.

D. Inventories

The supplies inventory is stated at cost by specific identification.

**Coconino County Community College District
Notes to Financial Statements
June 30, 2003**

Note 1 - Summary of Significant Accounting Policies (continued)

E. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$5,000		
Land improvements	\$5,000		
Buildings	\$5,000	straight line	40 years
Improvements Other than Buildings	\$5,000	straight line	15 years
Equipment and Vehicles	\$5,000	straight line	5 years
Library collections	\$5,000	straight line	10 years

F. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

G. Compensated Absences

Compensated absences consist of vacation leave, compensatory time earned, and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate vacation hours up to 1.5 times their annual vacation accrual, but any vacation hours in excess of the maximum amount that are unused at calendar year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees, up to a maximum of one year's accrual. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 1 - Summary of Significant Accounting Policies (concluded)

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and therefore, are not accrued. However, employees hired prior to January 1996 and with 10 years of service, 50% of unused accrued sick leave up to a maximum of 1,040 hours do vest; and upon normal retirement after 55 years of age or as defined by the Arizona State Retirement System, 100% of unused accrued sick leave up to a maximum of 2,080 hours do vest. For employees hired after January 1996 who are 60 or over and who have 10 years of service, a portion (up to a maximum of \$5,000) of their sick leave benefits do vest. The vested amounts are accrued as a liability in the financial statements.

H. Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services provided by the District and the amount that is paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the District are considered to be scholarship allowances. These allowances are netted against tuition and fees revenues in the statement of revenues, expenses, and changes in net assets.

Note 2 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) require the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. The statutes do not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with the property of another when making investment decisions about those monies.

Deposits—The District's deposits at June 30, 2003, were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name.

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 2 - Deposits and Investments (concluded)

Investments—At June 30, 2003, the District’s investments consisted of the following:

	Fair Value
Cash and investments held by the County Treasurer	\$ 817,204
Investment in State Treasurer's investment pool	<u>6,186,968</u>
Total	<u>\$ 7,004,172</u>

The District’s investment in the State or County Treasurer’s investment pools represents a proportionate interest in those pools’ portfolios; however, the District’s portion is not identified with specific investments and is not subject to custodial credit risk.

The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. No comparable oversight is provided for the County Treasurer’s investment pool, and that pool’s structure does not provide for shares.

Note 3 – Other Receivables

Other receivables are shown net of related allowances for uncollectibles. A summary for other receivables at June 30, 2003, follows:

	Receivable	Allowance	Net Receivable
Student accounts	\$ 162,844	\$ 4,901	\$ 157,943
Employee	578		578
Vendor	69,655		69,655
	<u>\$ 233,077</u>	<u>\$4,901</u>	<u>\$ 228,176</u>

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$ 1,089,000	\$	\$	\$ 1,089,000
Construction in progress	795,250	1,755,591	2,340,502	210,339
Total capital assets not being depreciated	<u>1,884,250</u>	<u>1,755,591</u>	<u>2,340,502</u>	<u>1,299,339</u>
Capital assets being depreciated:				
Buildings	28,288,488	2,375,508		30,663,996
Improvements other than Buildings	114,967	115,104		230,071
Equipment	1,862,269	48,401	5,718	1,904,952
Library books	22,235			22,235
Vehicles	57,338			57,338
Total capital assets being depreciated	<u>30,345,297</u>	<u>2,539,013</u>	<u>5,718</u>	<u>32,878,592</u>
Less accumulated depreciation for:				
Buildings	(658,533)	(766,600)		(1,425,133)
Improvements other than Buildings	(16,823)	(11,501)		(28,324)
Equipment	(623,524)	(310,485)	5,718	(928,291)
Library books	(22,235)			(22,235)
Vehicles	(25,345)	(7,110)		(32,455)
Total accumulated depreciation	<u>(1,346,460)</u>	<u>(1,095,696)</u>	<u>5,718</u>	<u>(2,436,438)</u>
Total capital assets being depreciated, net	<u>28,998,837</u>	<u>1,443,317</u>		<u>30,442,154</u>
Capital assets, net	<u>\$ 30,883,087</u>	<u>\$ 3,198,908</u>	<u>\$ 2,340,502</u>	<u>\$ 31,741,493</u>

The estimated costs to complete open construction projects at June 30, 2003 were \$103,499.

Note 5 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2003.

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due within one year
Compensated absences Payable	\$ 372,453	\$ 429,021	\$ 328,663	\$ 472,811	\$ 66,817
Arbitrage payable	639,812	29,286		669,098	
Bonds payable:					
General obligation bonds	23,835,000		720,000	23,115,000	820,000
Total long-term debt	<u>\$24,847,265</u>	<u>\$ 458,307</u>	<u>\$1,048,663</u>	<u>\$24,256,909</u>	<u>\$ 886,817</u>

**Coconino County Community College District
Notes to Financial Statements
June 30, 2003**

Note 5 - Long-Term Liabilities (concluded)

Bonds—The District’s bonded debt consists of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes. The \$25,000,000 in bonds were authorized by voters in November 1997, and were subsequently sold on January 7, 1999, at a net interest rate of 4.72%

Bonds outstanding at June 30, 2003, were as follows:

Description	Original Amount	Maturities	Interest Rates	Outstanding Principal
General obligation bonds Series A (1999)	\$25,000,000	annually through 7/1/2019	4.3% - 5.75%	\$23,115,000

Under Article IX of the Arizona Constitution, the total amount of indebtedness of the District may not exceed 15% of the County’s secondary property assessed valuation. The bonds are subject to Federal Arbitrage Regulations.

The following schedule details debt service requirements to maturity for the District’s bonds payable at June 30, 2003.

	General Obligation Bonds	
	Principal	Interest
Year Ending June 30,		
2004	\$ 820,000	\$ 1,111,005
2005	885,000	1,063,855
2006	955,000	1,012,968
2007	1,030,000	958,055
2008	1,105,000	898,830
2009-13	6,770,000	3,625,860
2014-18	9,310,000	1,858,541
2019	2,240,000	100,800
Total	\$ 23,115,000	\$ 10,629,914

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 6 - Obligations Under Operating Leases

The District leases the land on which the Fourth Street campus resides. The lease agreement is classified as an operating lease for accounting purposes. Rental expenses under the terms of the operating lease were \$28,833 for the year ended June 30, 2003. The operating lease has a remaining noncancelable lease term of 21 years, allowing four renewal options for eleven years each, and rental payments are adjusted annually based on changes in the Consumer Price Index (CPI). The future minimum rental payments required under the operating lease at June 30, 2003, were calculated using an estimated CPI increase of 3% annually and are as follows:

Future Minimum Operating Lease Payments

Year ending June 30:	\$	
2004		29,698
2005		30,589
2006		31,507
2007		32,452
2008		33,425
2009-13		182,784
2014-18		211,896
2019-23		245,646
Total minimum lease payments at June 30, 2003	<u>\$</u>	<u>797,997</u>

Note 7 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 - Retirement Plan

Plan descriptions—The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 8 - Retirement Plan (concluded)

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding policy—The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2003, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2003, 2002, and 2001, were \$124,119, \$114,632, and \$124,490, respectively, which were equal to the required contributions for the year.

In September 2001, the District implemented an Optional Retirement Plan (ORP), allowing the employee to opt out of the Arizona State Retirement System and establish a retirement account with one of three independent providers: ING Life Insurance and Annuity Company, Variable Annuity Life Insurance Company (VALIC), or Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF). For the year ended June 30, 2003, active participants and the District were required to contribute 7.0 percent and 2.0 percent, respectively, of the members' annual covered payroll. Under the ORP, long-term disability insurance is provided by TIAA-CREF at a rate of .312 percent of the members' annual covered payroll, with active participants and the District dividing the cost equally. The District's contributions to the ORP for the years ended June 30, 2003 and 2002, were \$14,642 and \$11,998, respectively.

Coconino County Community College District
Notes to Financial Statements
June 30, 2003

Note 9 - Operating Expenses by Natural Classification

The District's operating expenses are presented by functional classification in the Statement of Revenues, Expenses, and Changes in Net Assets. The operating expenses can also be classified into the following:

Compensation and benefits	\$ 8,726,822
Contract services	684,735
Supplies and other services	919,522
Annual fixed charges	407,233
Communications and utilities	494,461
Travel	169,112
Scholarships	1,121,521
Depreciation	1,095,697
Other	72,106
Total	<u>\$ 13,691,209</u>

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Statistical Section



**Coconino
Community
College**

**Coconino County Community College District
Revenues by Source
For the Year Ended June 30**

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<u>Operating Revenues</u>				
Tuition and fees, net of scholarship allowances	\$ 2,215,238	15.3 %	\$ 1,864,336	13.1 %
Government grants and contracts	2,174,539	15.0	2,057,559	14.4
Private gifts, grants, and contracts	235,024	1.6	96,788	0.7
Bookstore income	36,524	0.3	-	0.0
Auxiliary enterprises	33,175	0.2	42,758	0.3
Other	25,850	0.2	10,653	0.1
Total operating revenues	<u>\$ 4,720,350</u>	<u>32.6 %</u>	<u>\$ 4,072,094</u>	<u>28.6 %</u>
<u>Nonoperating Revenues</u>				
Property taxes	\$ 6,200,587	42.9 %	\$ 6,066,249	42.5 %
State appropriations	2,905,500	20.1	3,104,700	21.8
Share of state sales taxes	329,552	2.3	317,979	2.2
Investment income (loss)	(72,174)	-0.5	328,524	2.3
Other	62,146	0.4	52,300	0.4
Total nonoperating revenues	<u>\$ 9,425,611</u>	<u>65.2 %</u>	<u>\$ 9,869,752</u>	<u>69.2 %</u>
Capital appropriations	\$ 319,300	2.2 %	\$ 314,400	2.2 %
Total revenues	<u>\$ 14,465,261</u>	<u>100.0 %</u>	<u>\$ 14,256,246</u>	<u>100.0 %</u>

Source: Comprehensive Annual Financial Report for fiscal years presented.

**Coconino County Community College District
Operating and Nonoperating Expenses
For the Year Ended June 30**

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Operating Expenses				
Instruction	\$ 4,539,334	30.5 %	\$ 3,700,462	25.1 %
Public service	149,877	1.0	142,160	1.0
Academic support	1,634,056	11.0	1,590,572	10.8
Student services	1,329,354	8.9	1,351,457	9.2
Institutional support	2,785,293	18.7	3,924,224	26.5
Operation and maintenance of plant	1,035,311	7.0	972,581	6.6
Scholarships	1,094,854	7.4	1,052,478	7.1
Auxiliary enterprises	27,433	0.2	16,375	0.1
Depreciation	1,095,697	7.4	628,274	4.3
Total operating expenses	<u>\$ 13,691,209</u>	<u>92.1 %</u>	<u>\$ 13,378,583</u>	<u>90.7 %</u>
Nonoperating Expenses				
Interest expense on debt	\$ 1,181,691	7.9 %	\$ 1,188,343	8.1 %
Loss on disposal of capital assets	-	0.0	188,109	1.2
Total nonoperating expenses	<u>\$ 1,181,691</u>	<u>7.9 %</u>	<u>\$ 1,376,452</u>	<u>9.3 %</u>
 Total Expenses	 <u>\$ 14,872,900</u>	 <u>100.0 %</u>	 <u>\$ 14,755,035</u>	 <u>100.0 %</u>

Source: Comprehensive Annual Financial Report for fiscal years presented.

**Coconino County Community College District
Expenditure Limitation
Statutory Limit to Budgeted Expenditures
Last Ten Fiscal Years**

FISCAL YEAR	STATUTORY EXPENDITURE LIMITATION 1	BUDGETED EXPENDITURES SUBJECT TO THE LIMITATION 2	UNUSED LEGAL LIMIT 3
1993-94	\$ 5,918,104	\$ 2,732,135	\$ 3,185,969
1994-95	7,599,551	5,401,497	2,198,054
1995-96	8,358,792	6,890,003	1,468,789
1996-97	8,098,460	8,098,459	1
1997-98	8,606,136	8,606,135	1
1998-99	8,817,955	8,817,954	1
1999-00	8,584,609	8,584,608	1
2000-01	8,294,190	8,294,189	1
2001-02	8,996,579	8,996,578	1
2002-03	9,843,252	9,843,251	1

Source: District records.

Note 1: The Statutory Expenditure Limitation is calculated by the Arizona Department of Revenue Economic Estimates Commission and applies to Current Funds (General, Auxiliary Enterprises, and Restricted) and Plant Funds (Unexpended and Retirement of Indebtedness).

Note 2: Budgeted expenditures are net of allowable exclusions.

Note 3: The unused legal limit may be carried forward to the extent it does not exceed fund balances.

**Coconino County Community College District
Property Tax Levies and Collections
Last Ten Fiscal Years**

FISCAL YEAR	TOTAL TAX LEVY (1)	TOTAL TAX COLLECTIONS	RATIO OF TOTAL TAX COLLECTIONS TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	RATIO OF DELINQUENT TAXES TO TOTAL TAX LEVY
1993-94	\$ 2,644,101	\$ 2,657,405	100.50 %	\$ 111,708	4.22 %
1994-95	2,742,094	2,756,133	100.51	114,306	4.17
1995-96	2,907,547	2,877,602	98.97	138,938	4.78
1996-97	3,169,405	3,101,761	97.87	138,757	4.38
1997-98	3,237,396	3,162,511	97.69	167,321	5.17
1998-99	3,394,043	3,392,452	99.95	160,600	4.73
1999-00	5,388,928	5,384,476	99.92	143,270	2.66
2000-01	5,583,102	5,572,873	99.82	177,683	3.18
2001-02	5,909,184	5,850,796	99.01	266,961	4.52
2002-03	6,133,337	5,900,703	96.21	303,099	4.94

Source: Coconino County Treasurer's Office and District records.

(1) Tax Levy is based on levy limits of the calendar year at June 30.

(2) Cash basis; excludes payments in lieu of taxes.

**Coconino County Community College District
Property Tax Levies
Secondary Assessed Value and Current Market Value
of All Taxable Property
Last Ten Tax Years
(Dollars in Thousands)**

TAX YEAR	TOTAL PROPERTY VALUES		TOTAL ASSESSED VALUE AS A PERCENT OF TOTAL MARKET VALUE
	ASSESSED	CURRENT MARKET	
1994	\$ 735,069	\$ 4,862,390	15.1 %
1995	763,229	5,162,803	14.8
1996	780,215	5,814,529	13.4
1997	845,386	6,215,438	13.6
1998	887,556	6,462,245	13.7
1999	939,915	6,700,526	14.0
2000	1,004,869	7,158,212	14.0
2001	1,062,082	7,535,970	14.1
2002	1,084,876	7,860,165	13.8
2003	1,151,482	8,526,470	13.5

Source: Coconino County Assessor's Office

Note: Figures are not broken out between secured and unsecured.

**Coconino County Community College District
Primary Property Tax Rates, Direct and Overlapping Governments
Last Ten Tax Years
(Per \$100 Assessed Valuation)**

Tax Year	Coconino County Community College District	State of Arizona	Coconino County*	County Education District
1994	\$ 0.3706	\$ 0.4700	\$ 0.9432	\$ 2.3600
1995	0.3728	0.4700	0.9308	2.3600
1996	0.3784	-	0.9137	2.2000
1997	0.3869	-	0.8899	2.2000
1998	0.3949	-	0.8733	2.2000
1999	0.4001	-	0.8650	2.1654
2000	0.3973	-	0.8556	2.1265
2001	0.4010	-	0.8407	2.0647
2002	0.4083	-	0.9042	2.0296
2003	0.4098	-	0.9470	1.9583

Tax Year	Cities or Fire Districts		School Districts	
	Range		Range	
	From	To	From	To
1994	\$ 0.6644	\$ 1.3880	\$ 2.2370	\$ 7.6483
1995	0.7326	1.3880	1.6118	7.6483
1996	0.7326	1.3880	1.9114	6.8876
1997	0.7326	1.3880	2.2947	6.6914
1998	0.7326	1.3526	2.4607	7.8187
1999	0.7326	1.3138	1.9307	7.3800
2000	0.7326	1.2573	1.8239	6.4113
2001	0.7326	1.2573	1.0763	7.8089
2002	0.7326	1.4676	1.6887	6.6580
2003	0.7326	1.6089	1.6760	8.2795

* Coconino County applies to the General, State Education Equalization, Library District and Fire District Assistance Funds.

Source: Arizona Tax Research Foundation

**Coconino County Community College District
Secondary Property Tax Rates, Direct and Overlapping Governments
Last Ten Tax Years
(Per \$100 Assessed Valuation)**

<u>Tax Year</u>	<u>Coconino County Community College District</u>	<u>Coconino Association for Vocation, Industry, and Technology</u>	<u>Coconino County*</u>	<u>County Education District</u>
1994	\$ -	\$ -	\$ 0.2190	\$ -
1995	-	-	0.2164	-
1996	-	-	0.2248	-
1997	-	-	0.2269	-
1998	-	-	0.2361	-
1999	0.1946	-	0.2711	-
2000	0.1751	-	0.2780	-
2001	0.1707	0.0500	0.2544	-
2002	0.1726	0.0500	0.2899	-
2003	0.1677	0.0500	0.2899	-

<u>Tax Year</u>	<u>Cities or Fire Districts</u>		<u>School Districts</u>	
	<u>Range</u>		<u>Range</u>	
	<u>From</u>	<u>To</u>	<u>From</u>	<u>To</u>
1994	\$ -	\$ 2.6000	\$ -	\$ 5.5190
1995	-	2.6000	-	6.9003
1996	-	2.6000	-	5.2463
1997	-	2.6000	-	6.6700
1998	-	2.6000	-	7.2869
1999	-	2.6000	-	7.8837
2000	-	2.6000	-	7.5159
2001	-	2.5000	-	6.6782
2002	-	3.0000	-	7.8860
2003	-	3.0000	-	9.6289

2003 Tax Rates (Special Districts)

Flood Control **	\$ 0.0797
Forest Lakes Domestic Water	1.1730
Williams Facilities District	0.2054
Williams Hospital District	1.0145
Page Hospital District	0.8386

* Coconino County applies to the General, Library District and Fire District Assistance Funds.

** Flood Control District applies to all property outside the cities of Flagstaff, Page and Fredonia.

Source: Arizona Tax Research Foundation

**Coconino County Community College District
Computation of Legal Debt Margin
For the Year Ended June 30, 2003**

Secondary Assessed Value of Real and Personal Property	<u>\$1,151,482,204</u>
Debt Limit , 15% of Secondary Assessed Value	<u>\$ 172,722,331</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	<u>\$ 23,115,000</u>
Total Debt Applicable to Debt Limit	<u>23,115,000</u>
Legal Debt Margin	<u>\$ 149,607,331</u>

Source: District Records

**Coconino County Community College District
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds, June 30, 2003**

Direct Debt:

Coconino County Community College District	\$ 23,115,000
Net general obligation debt	23,115,000

Overlapping Debt:

City of Flagstaff	6,080,000
City of Williams	6,000
Flagstaff Unified School District #1	48,210,000
Fredonia-Moccasin Unified School District #6	-
Grand Canyon Unified School District #4	3,465,000
Page Unified School District #8	10,600,000
Sedona-Oak Creek Unified School District #9	15,776,970
Tuba City Unified School District #15	3,165,000
Williams Unified School District #2	2,255,000
Overlapping debt	89,557,970
Total direct general obligation and overlapping debt	\$ 112,672,970

Source: RBC Dain Rauscher Incorporated

**Coconino County Community College District
Top Ten Principal Taxpayers
June 30, 2003**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>ESTIMATED 2003 SECONDARY ASSESSED VALUE</u>	<u>PERCENTAGE OF DISTRICT'S 2003 SECONDARY ASSESSED VALUE</u>
Arizona Public Service	Utility	\$ 64,576,231	5.61 %
El Paso Natural Gas	Utility	20,647,087	1.79
Qwest Corporation	Utility	18,037,617	1.57
Transwestern Pipeline	Utility	20,207,177	1.75
City of Los Angeles Dept. of Water & Power	Utility	22,004,742	1.91
Burlington No. & Santa Fe Railway	Railroad	16,464,350	1.43
Citizens Communications Co	Utility	13,329,624	1.16
Nevada Power Company	Utility	13,911,886	1.21
Tucson Electric Power	Utility	13,628,016	1.18
W.L. Gore & Associates	Manufacturing	9,196,610	0.80
Total Top Ten Taxpayers		<u>\$ 212,003,340</u>	<u>18.41 %</u>

Sources: Arizona Department of Revenue

Note: All figures are based on secondary assessed valuation.

**Coconino County Community College District
Historic Enrollment
Last Ten Fiscal Years**

FALL HISTORIC HEADCOUNT

<u>COLLEGE/CENTER</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Flagstaff	3108	2,621	2,767	2,736	2,518
Page	331	309	348	286	226
Grand Canyon	15	16	32	40	15
Williams	39	42	27	38	28
Other	8	1	-	37	-
NAU	284	369	406	436	486
Total	<u>3,785</u>	<u>3,358</u>	<u>3,580</u>	<u>3,573</u>	<u>3,273</u>

<u>COLLEGE/CENTER</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Flagstaff	2,603	2,699	2,417	2,200	1,728
Page	203	252	248	256	249
Grand Canyon	32	26	31	26	39
Williams	14	21	43	40	50
Other	21	29	-	34	39
NAU	561	868	1,030	1,209	1,453
Total	<u>3,434</u>	<u>3,895</u>	<u>3,769</u>	<u>3,765</u>	<u>3,558</u>

HISTORIC FTSE*

<u>SEMESTER</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
Fall/Spring Average	1,439.8	1,334.8	1,403.9	1,371.8	1,280.8
Summer	160.8	149.2	162.8	160.8	165.5
Short	93.1	80.3	85.6	71.3	45.3
Annual Total	<u>1,693.7</u>	<u>1,564.3</u>	<u>1,652.3</u>	<u>1,603.9</u>	<u>1,491.6</u>

<u>SEMESTER</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>	<u>1993-94</u>
Fall/Spring Average	1,313.5	1,427.6	1,369.3	1,240.4	1,047.3
Summer	155.4	150.7	146.0	146.0	138.6
Short	27.8	9.2	2.9	1.1	0.3
Annual Total	<u>1,496.7</u>	<u>1,587.5</u>	<u>1,518.2</u>	<u>1,387.5</u>	<u>1,186.2</u>

Source: District records

Note 1: Headcount is unduplicated for the 45th day of Fall semesters only.

* Full Time Student Equivalent (15 Credit Hours)

**Coconino County Community College District
Student Enrollment Demographic Statistics
Last Ten Fall Semesters**

FALL SEMESTER	RESIDENCY			MEAN AGE
	COUNTY RESIDENT	OUT OF COUNTY	OUT OF STATE	
1993	84 %	13 %	3 %	30
1994	88	9	3	29
1995	87	9	4	29
1996	88	9	3	29
1997	82	11	7	29
1998	85	8	7	29
1999	86	4	10	29
2000	94	5	1	28
2001	94	5	1	29
2002	93	6	1	29

FALL SEMESTER	ATTENDANCE		GENDER	
	FT	PT	M	F
1993	16 %	84 %	40 %	60 %
1994	12	88	39	61
1995	13	87	40	60
1996	13	87	41	59
1997	14	86	41	59
1998	14	86	41	59
1999	14	86	41	59
2000	19	81	41	59
2001	16	84	42	58
2002	20	80	41	59

FALL SEMESTER	ETHNIC BACKGROUND					
	AMERICAN INDIAN	ASIAN	BLACK	HISPANIC	WHITE	OTHER
1993	12 %	2 %	2 %	9 %	75 %	0 %
1994	14	2	1	10	72	1
1995	15	2	1	10	70	2
1996	15	2	1	10	71	1
1997	15	2	1	9	72	1
1998	15	1	1	9	73	1
1999	16	1	2	9	71	1
2000	17	1	1	9	71	1
2001	18	2	1	9	69	1
2002	19	2	2	8	67	2

Source: District records

Note: Coconino Community College students only - does not include CCC/NAU students.

**Coconino County Community College District
Historic General Resident Tuition
Last Ten Fiscal Years**

District Historic General Resident Tuition

Fiscal Year	General Resident Tuition Per Credit Hour	Annual Cost Per Full-time Student	Increase	
			Dollars	Percent
1993-94	\$ 25.00	\$ 750.00	\$ 0.00	0.0 %
1994-95	25.00	750.00	0.00	0.0
1995-96	27.00	810.00	60.00	8.0
1996-97	27.00	810.00	0.00	0.0
1997-98	27.00	810.00	0.00	0.0
1998-99	27.00	810.00	0.00	0.0
1999-00	30.00	900.00	90.00	11.1
2000-01	33.00	990.00	90.00	10.0
2001-02	34.00	1,020.00	30.00	3.0
2002-03	37.00	1,110.00	90.00	8.8

National and Statewide Comparisons
(Based on Full-time Enrollment for the Academic Year)

Fiscal Year	National Community College Average (1)		Arizona Universities Average (3)	
	Annual Cost	Percent Change	Annual Cost	Percent Change
1993-94	\$ 1,125.00	9.8 %	\$ 1,844.00	16.0 %
1994-95	1,192.00	6.0	1,894.00	2.7
1995-96	1,239.00	3.9	1,950.00	3.0
1996-97	1,276.00	3.0	2,009.00	3.0
1997-98	1,314.00	3.0	2,058.00	2.4
1998-99	1,327.00	1.0	2,158.00	4.9
1999-00	1,338.00	0.8	2,259.00	4.7
2000-01	1,333.00	-0.4	2,344.00	3.8
2001-02	1,379.00	3.5	2,486.00	6.1
2002-03	1,399.00 (2)	1.5	2,583.00	3.9

Source: District Records.

Note 1: U.S. Department of Education, National Center for Education Statistics -- Higher Education Statistics: Student Charges (Digest of Education Statistics 2002)

Note 2: Estimate from American Association of Community Colleges survey, August 2003.

Note 3: Arizona Board of Regents Tuition History.

**Coconino County Community College District
Economic Indicators for Coconino County
June 30, 2003**

Coconino County Non-Farm Employment by Sector*

<u>Sector</u>	<u>Number of Personnel</u>	<u>Percent of Total</u>
Natural Resources and Mining	125	0.22 %
Manufacturing	3,175	5.50
Construction	2,200	3.81
Trade, Transportation and Utilities	9,675	16.76
Information	425	0.74
Financial Activities	1,400	2.43
Professional and Business Services	2,600	4.50
Educational and Health Services	6,650	11.52
Leisure and Hospitality	11,275	19.53
Other Services	1,800	3.12
Federal Government	3,275	5.67
State and Local Government	<u>15,125</u>	<u>26.20</u>
 Totals	 <u>57,725</u>	 <u>100.00 %</u>
 Total Unemployment Rate (9 Month Average) for Coconino County		 <u>6.5 %</u>
 Arizona September 2003 Unemployment Rate		 <u>5.6 %</u>
 United States September 2003 Unemployment Rate		 <u>6.1 %</u>

Source: Arizona Department of Economic Security (DES)

* Employment by Sector statistics are based on the first nine months of the 2003 annual average.

All Unemployment Rates are seasonally adjusted.

**Coconino County Community College District
Miscellaneous Statistics
June 30, 2003**

Established: July 1, 1991

Geographical Location: North Central Arizona

Geographical Area: 18,600 Square Miles

Altitude: Flagstaff Campuses/District Offices 7,000 Feet
Page Campus 4,300 Feet

	<u>Year</u>	<u>Population</u>	
Population Statistics (State of Arizona)	2002	5,472,750	Estimated
(Coconino County)	2002	125,420	Estimated
	2005	133,207	Projected
	2010	147,352	Projected
	2015	158,753	Projected
	2020	169,343	Projected
	2025	179,555	Projected
	2050	235,707	Projected

Number of Faculty: Full-time. 30
Part-time.83 FTE

Number of Administrative and Support Staff: 108 FTE

Average Class Size: 14.2

Degrees and certificates awarded:

Degrees: Associate of Arts	62
Associate of Business	19
Associate of Science	0
Associate of Applied Science	30
Associate of General Studies	8
Certificates of Completion in Occupational Programs:	30

Accredited by: North Central Association of Colleges and Schools
Commission on Institutions of Higher Education

Sources: District records
Arizona Department of Economic Security
U.S. Census Bureau

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Annual Budgeted Expenditure Limitation Report Section



**Coconino
Community
College**



INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Governing Board of
Coconino County Community College District

We have audited the accompanying Annual Budgeted Expenditure Limitation Report of Coconino County Community College District for the year ended June 30, 2003. This report is the responsibility of the District's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Budgeted Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Budgeted Expenditure Limitation Report of Coconino County Community College District for the year ended June 30, 2003, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Governing Board, and for the filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 7, 2003

**Coconino County Community College District
Annual Budgeted Expenditure Limitation Report- Part I
Year Ended June 30, 2003**

1. Economic Estimates Commission expenditure limitation	<u>\$ 9,843,252</u>	
2. Voter-approved modified expenditure limitation	<u>N/A</u>	
3. Enter applicable amount from Line 1 or Line 2		<u>\$ 9,843,252</u>
4. Total amount subject to the expenditure limitation (from Part II, Line C)	<u>\$ 10,172,803</u>	
5. Less expenditures of monies received pursuant to Arizona Revised Statutes §15-1472 (workforce development)	<u>\$ (329,552)</u>	
6. Adjusted amount subject to the expenditure limitation		<u>\$ 9,843,251</u>
7. Amount under the expenditure limitation		<u>\$ 1</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Chief Fiscal Officer: Jami V. Bradley

Title: Vice President for Business and Administrative Services

Telephone Number: 928-226-4209

Date: October 7, 2003

See accompanying notes to report.

**Coconino County Community College District
Annual Budgeted Expenditure Limitation Report - Part II
Year Ended June 30, 2003**

<u>Description</u>	Current Funds			Plant Funds		<u>Total</u>
	Unrestricted			<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	
	<u>General</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>			
A. Total budgeted expenditures	\$ 10,778,663	\$ 70,517	\$ 2,427,979	\$ 772,500	\$ 1,872,405	\$ 15,922,064
B. Less exclusions claimed:						
Debt service requirements on bonded indebtedness (Note 2)					1,872,405	1,872,405
Grants and aid from the federal government	14,066		2,160,473			2,174,539
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	186,076		48,948			235,024
Tuition and fees (Note 3)	1,467,293					1,467,293
Total exclusions claimed	1,667,435	-	2,209,421	-	1,872,405	5,749,261
C. Amounts subject to the expenditure limitation	\$ 9,111,228	\$ 70,517	\$ 218,558	\$ 772,500	\$ -	\$ 10,172,803

See accompanying notes to report.

Coconino County Community College District
Notes to Annual Budgeted Expenditure Limitation Report
Year ended June 30, 2003

Note 1 – Summary of Significant Accounting Policies

The Annual Budgeted Expenditure Limitation Report (ABELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System (UERS)*, as required by Arizona Revised Statutes (A.R.S.) §41-1279.07, which excludes expenditures of certain revenues specified in the Arizona Constitution, Article IX, §21 from the budgeted expenditures.

The information reported in both the ABELR and the financial statements is derived from the same underlying accounting data. However, the formats of the ABELR and the financial statements differ. The ABELR presents budgeted expenditures, exclusions, and amounts subject to the limitation by fund type as required by A.R.S. §41-1279.07. The financial statements present the net assets, changes in net assets, and cash flows for the District as a whole in accordance with U.S. generally accepted accounting principles.

In accordance with the UERS requirements, a note to the ABELR is presented below for any exclusion reported in the Total column on Part II that cannot be traced directly to an amount reported in the annual financial statements.

Note 2

Exclusions claimed for debt service requirements on bonded indebtedness are \$1,872,405. This amount consists of the amounts reported as principal paid on capital debt and interest paid on capital debt, \$720,000 and \$1,152,405 respectively, on the Statement of Cash Flows.

Note 3

Of the gross tuition and fees of \$2,470,276 reported on the Statement of Revenues, Expenses, and Changes in Net Assets, only \$1,467,293 was claimed as an exclusion. The remaining \$1,002,983 has been carried forward to future years.